

CITY OF SAN DIEGO  
M E M O R A N D U M

DATE: June 17, 2005

TO: Honorable Mayor and City Council

FROM: P. Lamont Ewell, City Manager

SUBJECT: Fiscal Year 2006 Proposed Budget June Revision

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On May 2, 2005, I presented the Fiscal Year 2006 Proposed Budget to the Mayor and City Council. Subsequent to that time, the City Council Budget Hearing process has been conducted to discuss impacts and options for funding Fiscal Year 2006 requirements. The purpose of this memorandum is to present these changes, as well as minor adjustments to departments that were not included in the Fiscal Year 2006 Proposed Budget and propose solutions to balance the Fiscal Year 2006 Proposed Budget. The changes discussed in this memorandum will focus on the following areas:

1. Proposed Budget Update
2. Contingent Revenues Update
3. General Fund Revisions/Additions
4. Mayor and City Council Wish List
5. General Fund Solutions
6. Non-General Fund Revisions

**1. PROPOSED BUDGET UPDATE**

Based on the actions taken to date through tentative approval of the majority of the department budgets by the Mayor and City Council, the General Fund is currently unbalanced reflecting a budget gap of (\$2.45) million. Proposed solutions for this gap are provided later in this memorandum. This update reflects the Mayor and Council's review and tentative approval of all department budgets, with the exception of the Park and Recreation Department, QUALCOMM Stadium, and Retirement which are subject to further review.

Since the presentation of the Proposed Fiscal Year 2006 Budget on May 2, 2005, I have also provided updates via a verbal presentation on May 24 and June 13, and memos distributed on June 1, and June 3. Based on the Mayor and City Council action and the aforementioned presentation and memoranda the current proposed budget reflects the following:

	<b>Revenues</b>	<b>Expenditures</b>
<b>Proposed General Fund Budget</b>	<b>\$857,659,472</b>	<b>\$857,659,472</b>
Mayoral Election (Primary)		\$2,500,000
Meet & Confer Unrealized Savings		\$3,000,000
PETCO Park Allocation Savings	\$2,300,000	
Additional 29.00 Position Reductions		(\$1,484,117)
Safety Sales Tax – Fire/Lifeguards	\$1,220,000	
Lifeguard Boat Dock (Phase 1)		\$1,000,000
Fire Apparatus		\$220,000
Proposed Fee Adjustments	(\$739,282)	
<b>TOTAL TO DATE</b>	<b>\$860,440,190</b>	<b>\$862,895,355</b>
	<b>GAP</b>	<b>(\$2,455,165)</b>

## 2. CONTINGENT REVENUES UPDATE

The Fiscal Year 2006 Proposed Budget includes contingent revenue as discussed in the Executive Summary of Volume 1 of the proposed budget. These contingent revenues were identified as such because the approval was and still is to be determined for most of them. Based on new and developing information, an update on these revenues is warranted.

### *State booking fees*

*\$5.2 million budgeted*

- The State of California Legislature has proposed an amendment to this program that provides reimbursements for jail booking fees charged to the City of San Diego by the County. This amendment proposes to establish a fund, in lieu of the booking fees program, to provide for hardship funding at the discretion of the State Director of Finance. Preliminary analysis indicates that the City of San Diego should be eligible for this funding. As the legislature continues to deliberate on the State of California budget, no proposals are finalized or adopted. Therefore, it is recommended that the State booking fees reimbursement remain in the City's Fiscal Year 2006 budget. Historically, the State does not adopt the budget before June 30, so any other modifications to the State budget that impact the City of San Diego, would not be able to be accommodated within our Fiscal Year 2006 budget, but would have to be accommodated through mid-year adjustments.

### *New or updated City user fees and charges*

*\$3.2 million budgeted*

*\$2.5 million approved*

- On June 7, 2005, the Mayor and City Council considered various new and updated fee proposals that would provide cost recovery, or partial cost recovery, for some City services. As shown above, the Proposed Budget assumed that \$3.2 million in updated fees would be approved. The Mayor and City Council approved approximately \$2.5 million in updated fees, which leaves \$739,282 in revenue unavailable to the General Fund. This amount will have to be replaced with other revenue or further service reductions in order to maintain a balanced budget.

*Mission Bay Ordinance*

*\$1.4 million budgeted  
\$1.4 million not yet approved*

- The Mission Bay Ordinance is proposed to be waived in the Fiscal Year 2006 Proposed Budget. Should the Mayor and City Council choose not to waive the Ordinance, the General Fund would experience a loss of \$1.4 million that would have to be accommodated in order to maintain our balanced budget for Fiscal Year 2006. Either additional revenue or additional service reductions would be required to bridge this gap. Although this has not yet been approved, this memorandum continues to assume that the Mission Bay Ordinance will be waived in the final Fiscal Year 2006 Annual Budget.

*Meet and Confer Savings*

*\$3.0 million budgeted  
\$3.0 million not realized  
\$2.3 million mitigation*

- As I discussed with the City Council at my presentation on Recent Updates, labor negotiations did not result in \$3.0 million in anticipated savings to the City that was assumed in the Fiscal Year 2006 Proposed Budget. As a result, on May 24, I proposed partially mitigating the revenue shortfall with \$2.3 million in Transient Occupancy Tax (TOT) revenue that will not be required for PETCO Park. This TOT savings was realized through further analysis and refinement of the PETCO Park bond cash flow. The remaining \$700,000 revenue shortfall between the \$3.0 million that was budgeted and the \$2.3 million mitigation will be discussed in the budget solutions section of this memorandum.

*Fiscal Year 2005 balance forward to Fiscal Year 2006*

*\$2.0 million budgeted  
\$2.0 million realized*

- Based upon tentative approval of the Fiscal Year 2005 fourth quarter adjustment it is anticipated that a balance forward of \$2 million will be available for Fiscal Year 2006. This contingent revenue has already been included in the Fiscal Year 2006 Proposed Budget.

*Contingent Revenue included in the Fiscal Year 2006 Budget  
Contingent Revenue as of June 14, 2005*

*\$14.8 million  
\$13.4 million  
\$1.4 million*

Based on this information and actions taken since the budget was presented, there is \$1.4 million in unrealized revenue or savings. Alternative revenue or expenditure reductions will be required to ensure a balanced budget for Fiscal Year 2006. Proposed solutions are provided in the General Fund Solutions section of this memorandum.

### **3. GENERAL FUND REVISIONS**

As I indicated in the presentation of the proposed budget on May 2, 2005, this is a fluid process whereby the budget is developed and presented; all the while information is being updated and refined. The proposed revisions to the General Fund for the Fiscal Year 2006 Annual Budget described below have been presented via memoranda dated June 1 and June 3. The revisions have been presented as either potential solutions to this difficult budget or further refinement and streamlining of City operations.

#### **3. a. Restructuring/Reorganization (Attachment 1)**

In the *Reorganization and Fiscal Year 2006 Proposed Budget Unclassified Position Impacts* memorandum that was distributed on June 1, 2005, information on several organizational structure changes was described. These will be incorporated into the final budget and implemented as of July 1, 2005, or as close thereafter as possible. These changes affect select departments, will help achieve greater efficiency in the impacted areas, and in some cases reduce the management staff required to manage the operations. The specific departments affected include:

- Community and Economic Development

The transfer of the Redevelopment Division of the Community and Economic Development Department (the City's Redevelopment Agency) will place this unit in a separate, Non-General Fund. It is anticipated that this will result in better tracking of the tax increment and associated expenses within the Redevelopment Agency. The Public Safety and Neighborhood Services Committee will review further proposals regarding the Redevelopment Agency at a future meeting.

- General Services Department

The Central Stores/Publishing Services Division will be separated and the two components placed within other divisions. Central Stores will become part of the Purchasing Division, which is in the Financial Management Department. Publishing Services will be joined with the Facilities Division of the General Services Department. This reorganization will eliminate 1.00 managerial position and combine efficiencies of procurement activities of the Central Stores operations with the City's Purchasing Division.

The Airports Division of the Real Estate Assets Department will become a division of the General Services Department.

- Risk Management Department

Given the financial nature of many of the risk management functions, the Risk Management Department will begin reporting to the Deputy City Manager responsible for finance. This structural change to the oversight responsibility for the Risk Management Department, which currently reports to the Human Resources Director has no impacts to staffing levels.

#### **3. b. Citywide Management Reductions**

The *Reorganization and Fiscal Year 2006 Proposed Budget Unclassified Position Impacts* memorandum that was distributed on June 1, 2005 also identified a total of 23.80 unclassified positions for reduction. Four (4.00) of the positions were already included in the proposed Budget Document. The net impact of the additional unclassified position reductions is 19.80. These

modifications are intended to streamline City operations and further flatten the organization. Service level reductions, where applicable, will be addressed through adjustments to service priorities.

All of this information is shown in more details on Attachments A and B of the June 1, 2005 memorandum.

**3. c. Additional Position Reductions not included in the Proposed Budget Document (Attachment 2)**

On May 2, 2005, I discussed the need for additional position reductions to assist in the continuing downsizing of the organization and to offset the expense of the recently approved Mayoral primary election. Subsequently, on June 3, 2005, I presented you with an updated Service Level Impact Section of the Budget Document. The information contained the original proposed reductions, the additional proposed reductions developed subsequent to the publication of the Budget Document, and the total reductions for each department. Identified in the reductions were an additional 29.00 classified position reductions. The net savings to General Fund Departments is \$1,484,117 and was not reflected in the Fiscal Year 2006 Proposed Budget.

<b>CITYWIDE</b>	<b>Original Proposed Budget</b>	<b>Additional Position Adjustments</b>	<b>Total Proposed Position Reductions</b>
<b>Unclassified Positions</b>	(4.00)	(19.80)	(23.80)
<b>Redevelopment Division (Special Fund)</b>	--	(20.90)	(20.90)
<b>Other Position Reductions</b>	(276.23)	(29.00)	(305.23)
<b>Street Maintenance Repairs (Limited)</b>	--	40.00	40.00
<b>TOTAL AS OF JUNE 1, 2005</b>	<b>(280.23)</b>	<b>(29.70)</b>	<b>(309.93)</b>
<b>Office of the CIO, Communications Division Restoration</b>	--	1.00	1.00
<b>Disclosure Practices Working Group Positions</b>	--	12.40	12.40
<b>City Council District 6</b>	--	1.00	1.00
<b>Public Tree and Community Forest Ordinance</b>	--	1.00	1.00
<b>UPDATED TOTAL</b>	<b>(280.23)</b>	<b>(14.30)</b>	<b>(294.53)</b>

### **3. d. Special Election**

The City of San Diego will hold a special election on Tuesday, July 26, 2005 to elect a new mayor and to vote on Proposition A, regarding the Mt. Soledad Veteran's Memorial. Additional funds are necessary to cover the expense of this primary election. The City Clerk's Office has estimated this expense at approximately \$2.5 million. This funding must be added to the Fiscal Year 2006 Budget to accommodate this expenditure. Additional expenses for a potential run-off election to be held later in the year are not included in this estimate.

### **3. e. Disclosure Practices Working Group (DPWG) Allocations (Attachment 3)**

In compliance with the City's Disclosure Ordinance and based on recommendations from the City's outside auditors and legal counsel, the Fiscal Year 2006 Proposed Budget contained \$1.6 million in non-personnel expense in five General Fund departments; City Auditor, City Attorney, City Manager, Financial Management and City Treasurer. This was one of only a few additions to the City's General Fund budget and reflects only a partial funding of the necessary resources to meet all objectives. At the time the proposed budget was being prepared, the departments had not determined the appropriate staffing recommendations to begin addressing the compliance needs of the City's disclosure ordinance. The departments have since determined the appropriate staffing classifications which are provided in Attachment 3.

The positions described in Attachment 3 will be budgeted to replace the non-personnel expense previously budgeted. Because the non-personnel funding was included in the Proposed Budget, there will be no additional cost to the Fiscal Year 2006 General Fund.

### **3. f. City Attorney Adjustments (Attachment 4)**

Included with this memorandum is a report from the City Manager's and the City Attorney's Office discussing revenue opportunities in the City Attorney's Office and the reduction of using outside legal counsel.

### **3. g. Neighborhood Code Compliance Department Restructuring**

The Neighborhood Code Compliance Department will be implementing a plan for restructuring the department which will result in better communication and consistency in code enforcement and consolidation of parallel functions. This will be accomplished by combining the Property Condition Enforcement and Property Use Enforcement into one new Field Services Division. The new Management Services Division will provide for budget management, information technology, clerical support, complaint intake and special projects. Finally, a new Department Administration Division will house the Department Director and Executive Secretary. There will be no budget impact with this restructure.

### **3. h. Addition of 1.00 City Council Representative**

On February 3, 2005, the Civil Service Commission approved the addition of 1.00 Council Representative I for Council District Six; however the position was not included in the Fiscal Year 2006 Proposed Budget. This addition is being submitted with no corresponding budget increase and will only provide for the authority to hire 1.00 Council Representative I once the appropriate funding is identified within the Council District Six operating budget.

#### **4. MAYOR AND CITY COUNCIL WISH LIST (ATTACHMENT 5)**

Throughout the Fiscal Year 2006 Budget Deliberations, input has been received from members of the public on proposed significant program reductions and the Mayor and City Council have indicated a desire to restore funding for some programs such as Community Service Centers and Park and Recreation Department's Park Maintenance.

As has been discussed, this is one of the most challenging fiscal years the City of San Diego has ever faced and creating a balanced and sustainable budget is extremely difficult. The Wish List currently includes over \$19.5 million in proposed restorals within the General Fund. Since the presentation of the proposed budget, further reductions have been identified, as described above, to fund critical City operational needs, such as funding for the primary mayoral election and repairs for the Lifeguard dock. To accommodate the restorals identified on the Wish List, the City would have to identify a commensurate amount in additional reductions or revenue. At this time, no further reductions or revenue enhancements are available to fund these priorities, unless the Mayor and City Council choose to make significant program reductions in other departments.

The reductions recommended thus far have been challenging and will have service level impacts to San Diego residents. Additional reductions would serve to considerably increase those service level impacts, therefore I have not included the restoral of the Community Service Centers, the Park and Recreation Department's Park Maintenance, or other Wish List items, in this June Revision.

#### **5. GENERAL FUND SOLUTIONS**

The following solutions are available to mitigate the gap of \$2.5 million in the General Fund, as described in preceding sections.

##### **5. a. Worker's Compensation Fund Surplus**

A number of factors, both internal and external, have reduced projected workers' compensation expenses for the current year. The anticipated balance in the Workers' Compensation Fund is sufficient to provide a rate rebate to certain departments and to begin implementation of a ten year plan to establish a short term liability reserve. It is recommended that \$3.0 million be transferred back to the appropriate contributing departments. As a result, approximately \$2.3 million is available for the General Fund. The remaining \$0.7 million will be returned to Non-General Fund budgets.

##### **5. b. Office of Homeland Security (OHS) – Reallocation of Funding**

Beginning in Fiscal Year 2006 all City operating Departments will fund the Office of Homeland Security (OHS) Department. This allocation is based on the cost to support the City's preparation for major disasters, including the training of City employees, assisting with the integration of emergency plans in a collaborative environment, ensuring information flow to the public and business community to assist in their emergency preparation and response, as well as interfacing with County, State and federal jurisdictions. This allocation of funding will include the General Fund contribution of \$239,513, which is already included in the Fiscal Year 2006 Proposed Budget and Non-General Fund contributions of \$349,771, which will be additional revenue for the General Fund.

### **5. c. Golf Course Rent Payment to General Fund**

The proposed Fiscal Year 2006 rent calculation of \$1,557,178 is a reduction from the previous year's rent due to the proposed six month closure of the Torrey Pines Golf Complex's North Course in Fiscal Year 2005. This proposed closure reduced the Fiscal Year 2005 revenue projections by approximately \$1.7 million over the previous year, subsequently reducing the proposed rent to be paid in Fiscal Year 2006. Since the North Course did not close as planned, staff recommends utilizing the Fiscal Year 2004's actual revenue as the basis for the Fiscal Year 2006 rent calculation, which increases the annual rent projection by \$64,614 to \$1,621,792 paid to the General Fund.

### **5. d. Development Services General Fund Subsidy**

The Development Services Enterprise Fund will be able to fund necessary services and programs without a General Fund subsidy of \$180,000. This funding will therefore be made available as a General Fund solution for Fiscal Year 2006.

### **5. e. Summary**

Through the solutions described above, the City is able to close the \$2.5 million projected gap. In addition, funding of \$1,790,104 is identified as available through the use of solutions recommended in this memo and additional revenue options as shown below.

	<b>Revenues</b>	<b>Expenditures</b>
<b>Proposed General Fund Budget</b>	<b>\$857,659,472</b>	<b>\$857,659,472</b>
Mayoral Election		\$2,500,000
Meet & Confer Unrealized Savings		\$3,000,000
PETCO Park Allocation Savings	\$2,300,000	
Additional 29.00 Position Reductions		(\$1,484,117)
Safety Sales Tax – Fire/Lifeguards	\$1,220,000	
Lifeguard Boat Dock (Phase 1)		\$1,000,000
Fire Apparatus		\$220,000
Proposed Fee Adjustments	(\$739,282)	
<b>SUBTOTAL</b>	<b>\$860,440,190</b>	<b>\$862,895,355</b>
<b>Surplus/(Deficit)</b>		<b>(\$2,455,165)</b>
<b>City Manager Recommendations</b>		
Workers' Compensation Fund Surplus	\$2,275,800	
Office of Homeland Security Allocation	\$349,771	
Golf Course Rent	\$64,614	
Development Services GF Contribution		(\$180,000)
<b>SUBTOTAL WITH SOLUTIONS</b>	<b>\$863,130,375</b>	<b>862,715,355</b>
<b>Surplus/(Deficit)</b>		<b>\$415,020</b>
<b>Additional Revenue Options</b>		
CCDC Revenue	\$1,075,084	
Mt. Hope - Includes low income fee waiver of 50%	\$100,000	
Gold Coast Classic	\$200,000	
<b>ADDITIONAL REVENUE SUBTOTAL</b>	<b>\$864,505,459</b>	<b>\$862,715,355</b>
<b>Surplus/(Deficit)</b>		<b>\$1,790,104</b>



## **6. NON-GENERAL FUND REVISIONS**

The following are proposed revenue and expenditure revisions to Non-General Fund departments for the Fiscal Year 2006 Annual Budget.

### **6. a. Citywide Position Reductions – Non-General Fund (Attachment 2)**

Included in the Fiscal Year 2006 Revised Service Level Impacts section (Attachment 2) dated June 3, 2005 was a list of positions proposed to be reduced in both General Fund and Non-General Fund departments. As stated previously, these positions include unclassified, senior and middle level staff. The net savings to Non-General Fund departments is \$1,883,055 and was not reflected in the Fiscal Year 2006 Proposed Budget Document.

### **6. b. Office of the CIO -Communication Division Position Restoration**

The Communications Division in the Office of the CIO will restore 1.00 Equipment Technician to assist with the installation, maintenance and support of audio and audio-visual systems in order to broadcast City Council meetings. This position was proposed for reduction in the City Manager's Proposed Budget. The cost of this position will be paid for with one-time revenue in the amount of \$73,137 from the City's New Development Fund carryover.

### **6. c. Proposition 42 – State of California**

Under Governor Schwarzenegger's May Budget Revise, the suspension of funding from the state sales tax on gasoline would be ended and the funding would be provided back to municipalities for local transportation related projects under the Transportation Congestion Relief Program. If approved by the legislature as part of the State's 2005-2006 budget, the City of San Diego would receive approximately \$5.5 million in additional funding for Fiscal Year 2006. This funding would be available for such projects as slurry sealing and street resurfacing, pothole repair, sidewalks and other related infrastructure improvement. It should be noted that this funding has not yet been approved by the State of California, therefore no repairs or new construction will be taken up until it is approved by the legislature in the 2005-2006 budget.

### **6. d. San Diego Fire-Rescue Department - Emergency Medical Services Fiscal Year 2006 Annual Budget**

The San Diego Medical Services Enterprise (SDMSE), LLC Board of Directors will meet on June 22, 2005 to approve the Emergency Medical Services Program's Fiscal Year 2006 Budget. The approved budget will be reflected in the Fiscal Year 2006 Annual Budget.

### **6. e. San Diego Retirement System - Fiscal Year 2006 Annual Budget**

The San Diego City Employees Retirement System Board of Directors approved the Retirement Department Fiscal Year 2006 Budget on April 15, 2005. The approved budget will be reflected in the Fiscal Year 2006 Annual Budget.

### **6. f. Trench Restoration Pilot Program for Water and Metropolitan Wastewater Department (Attachment 6)**

As discussed in the June 6, 2005 memorandum (Attachment 6) from Deputy City Manager Richard Mendes this is a cost neutral revenue and expense pilot program estimated at \$4.9 million. For Fiscal

Year 2006 an estimated 160 routine repairs and small trench patches will be completed per month. The total cost is currently reflected in the Water and Metropolitan Wastewater Department (MWWD) proposed non-personnel expense budgets. The Water Department will fund two-thirds of the cost of the concrete repair and MWWD will fund one-third of the concrete repair. MWWD and Water will fund their respective costs associated with street repairs.

Water Department total full time equivalent (FTE) is 24.61 positions at an approximate cost of \$1.6 million. Estimated non-personnel expenditures and equipment total approximately \$1.3 million; the total cost funded by Water Department for this program is \$2.9 million. MWWD total FTE is 15.39 positions at an approximate cost of \$1 million. Estimated non-personnel expenditures and equipment total approximately \$1 million; the total cost funded by MWWD for this program is approximately \$2.0 million. A breakdown of the allocations is listed below.

<b>TRENCH REPAIR</b>	<b>MWWD</b>	<b>Water</b>
	<b>FTE</b>	<b>FTE</b>
Street Repair	10.33	14.34
Concrete Repair	5.06	10.27
<b>Total FTE</b>	<b>15.39</b>	<b>24.61</b>
Street Repair	\$707,645	\$972,279
Concrete Repair	\$344,519	\$699,477
<b>Total PE</b>	<b>\$1,052,164</b>	<b>\$1,671,756</b>
Street Repair	\$665,000	\$835,000
Concrete Repair	\$276,032	\$450,800
<b>Total NPE</b>	<b>\$941,032</b>	<b>\$1,285,800</b>
Total Budget	<b>\$1,993,196</b>	<b>\$2,957,556</b>
<b>Program Total</b>	<b>\$4,950,572</b>	

#### **6. g. Water Department - Reduction in Debt Service**

The Water Department currently has \$34,861,458 budgeted in Debt Service accounts in the Fiscal Year 2006 Proposed Budget. The Auditor has indicated that actual payments in Fiscal Year 2006 will be approximately \$2.0 million lower than anticipated due to accrued interest earnings. The Fiscal Year 2006 Annual Budget will reflect Debt Service of \$32,861,458 for the Water Department.

#### **6. h. Public Tree and Community Forest Ordinance**

On June 13, 2005, the City Council approved resolution R-300524 which establishes a Tree Protection Council Policy. This policy calls for the addition of 1.00 Code Compliance Officer in the General Services Department, Street Division for Fiscal Year 2006 to work in the capacity of a Tree Warden whose main responsibility will be to enforce the policy. This position will be funded in Fiscal Year 2006, 50% from the Tree Damage Recovery Revenue Account which is within the General Services

Department, Street Division budget, and 50% from Citywide Community Development Block Grant (CDBG) monies.

**6. i. Revision of Real Estate Assets Airports Revenue**

Budgeted revenue has been reduced in the amount of \$ \$333,862 for Airports due to an inadvertent duplication of anticipated lease revenue. This revision also includes the most current revenue estimates available.

**CAPITAL IMPROVEMENTS PROGRAM (CIP) REVISIONS**

To ensure that the Fiscal Year 2006 CIP Budget reflects all recent Mayor and City Council decisions, revisions to the proposed eleven-year Capital Improvements Program (CIP) and proposed Public Facilities Financing Plans are being compiled between now and the adoption of the Appropriation Ordinance. Revisions to the CIP budget include cost estimate revisions, scheduling modifications, and appropriation of Fiscal Year 2006 funding rescheduled from Fiscal Year 2005. These revisions will be included in the forthcoming CIP Change Letter and Fiscal Year 2006 Appropriation Ordinance.

**CONCLUSION**

The changes summarized in this report will provide for a balanced Fiscal Year 2006 Budget. We will continue to closely monitor the receipt of City revenues in assessing the impact on the Fiscal Year 2006 Annual Budget. We will also continue to work with our representatives in Sacramento and the League of California Cities to minimize negative budgetary impacts from the State. However, should the State fail to fund critical programs such as the State Booking Fees in their annual budget, further reductions to City operations will be necessary to maintain a balanced budget. These reductions would include additional staffing decreases and service level impacts in core City services. Updates on the status of the State budget will be provided as available.



P. Lamont Ewell  
City Manager

- Attachments:
1. Reorganization and Fiscal Year 2006 Proposed Budget Unclassified Impacts Memorandum
  2. Fiscal Year 2006 Proposed Budget UPDATE Memorandum
  3. Disclosure Practices Working Group (DPWG) Department Allocations
  4. City Attorney's Fiscal Year 2006 Budget
  5. Mayor and City Council Wish List as of June 14, 2005
  6. General Services/Street Division Repair Services Program FY06 for the Water and Metropolitan Wastewater Departments

**CITY OF SAN DIEGO  
MEMORANDUM**

**DATE:** June 1, 2005

**TO:** Honorable Mayor and City Council

**FROM:** P. Lamont Ewell, City Manager

**SUBJECT:** Reorganization and Fiscal Year 2006 Proposed Budget Unclassified  
Position Impacts

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As has been indicated during the course of the budget hearings, the challenges associated with developing the Fiscal Year 2006 Proposed Budget have necessitated that the process remain fluid. As information is refined, updates are provided to complete the proposed budget picture. Two areas that were still being defined as the Proposed Budget was being published include a limited restructuring of the organization and the proposed reduction of unclassified management positions. This memo is intended to explain the changes proposed in those areas.

In light of budgetary limitations, the Fiscal Year 2006 Proposed Budget focuses on core services and has resulted in a need to streamline the organization. This has been particularly difficult because the streamlining has resulted not only in structural changes to the organization, but also impacts to City staff. Though these decisions have been hard, they are necessary to help move the City forward. The recent press release by Fitch Ratings (see Attachment A) further emphasizes the City's need to implement difficult changes such as service reductions and personnel savings to achieve financial balance. In earlier discussions with the rating agencies, this effort was considered extremely important to the elimination of structural deficiencies embedded in previous City budgets.

**Restructuring**

Several organizational structure changes will be incorporated into the final budget and implemented as of July 1, 2005, or as close thereafter as possible. These changes will help achieve greater efficiency in the impacted areas and in some cases reduce the management staff required to manage the operations.

Community & Economic Development Department

The City Manager's "Recent Updates" section of the Fiscal Year 2006 Proposed Budget (Volume I, page 28) includes a proposal to transfer the Redevelopment Division of the Community and Economic Development Department (the City's Redevelopment Agency) to an agency, to be newly established, outside of the City. As described, this

proposed change to the City's Community and Economic Development Department would reduce the General Fund by approximately 22.70 positions. After additional consideration, this proposal will be implemented in phases, with Phase I consisting of a budgetary restructuring as an interim step. Phase II will consist of a policy decision by the Mayor and City Council after a more complete and detailed analysis is conducted on the options and impacts of the proposed spin-off.

Phase I, the budgetary element, can be completed within approximately 90 days of the budget adoption. It will entail isolating the costs and revenues currently associated with the Agency by creating a Special Fund to deposit existing tax increment dollars currently used to fund Agency staff and projects. This action will transfer 22.70 redevelopment positions from the General Fund to the new Special Fund, as shown on Attachment B. Though funded from a different source, the redevelopment functions will continue to remain part of the Community and Economic Development Department during this interim step, as will the economic development and community service functions.

Phase II, the policy discussion and decision, will include a comprehensive review and study of Mayor and City Council priorities, public input, legal considerations, internal and external impacts, and existing contracts and MOUs associated with the proposed spin-off. A timeline for the study will be developed once the parameters of the review are more fully detailed. A final report will be presented to the Mayor and City Council with policy decision options based on the factors mentioned above.

#### General Services Department

The Central Stores/Publishing Services Division of General Services will be separated and the two components placed within other divisions. Central Stores will become part of the Purchasing Division, which is in the Financial Management Department. Publishing Services will be joined with the Facilities Division of the General Services Department. This will eliminate the need for one deputy director position and place those functions in related service areas reporting to the deputy directors currently providing oversight. In addition, publishing operations are proposed to be relocated to the lower level of the Concourse. This move will result in rent being paid to the City, rather than a third party, which will become part of the revenue stream used to help offset expenses associated with Concourse operations. Additional information and the results of the Request for Proposals (RFP) will be provided within the next month.

The Airports Division of the Real Estate Assets Department will become a division of the General Services Department. There is no impact to Airports Division unclassified staffing levels associated with the transfer. This change will allow the Real Estate Assets Department to focus full attention on developing an asset management plan and addressing other important pending real estate issues.

Other

A final structural change is to the oversight responsibility for the Risk Management Department, which currently reports to the Human Resources Director. Given the financial nature of many of the risk management functions, the Risk Management Department will begin reporting to the Deputy City Manager responsible for finance on July 1, 2005. There are no impacts to staffing levels with this change.

**Unclassified Position Impacts**

The proposed streamlining has also resulted in staff impacts to departments funded by the General Fund as well as Non-General Fund sources, some of which are described above. The Proposed Budget as presented on May 2, 2005 included the proposed reduction of 355.33 positions. Subsequent review has resulted in a refined reduction of 350.93 positions across all levels of classifications, including unclassified and unrepresented. The difference is associated with proposed positions that were identified in multiple categories. Included in the refined figure is the reduction of 22.70 positions associated with the transfer of the Redevelopment Agency to the Special Fund, described above.

Of the 350.93 proposed position reductions in the Fiscal Year 2006 Proposed Budget, 28.8% are unclassified and unrepresented positions, which is a greater impact to the management level positions than has been seen historically. In Fiscal Year 2005, 229.73 positions were reduced and 23.87% were unclassified and unrepresented. In Fiscal Year 2004, 170.06 positions were reduced of which 12.20% were unclassified and unrepresented. Attachment C has been prepared as a comprehensive list reflecting all unclassified management level positions proposed for reduction, as described below.

Unclassified Position Reductions Included as \$1.6m Savings

The Citywide Program Expenditures budget includes a line item listed as "Personnel Savings Plan" (Volume II, page 74). This line item was included as a placeholder for management level positions proposed for reduction at a savings of \$1.62 million. The specific positions were not identified at the time the proposed budget was presented, but were intended to be identified prior to approval of the budget by the City Council. As shown in the first section of Attachment C, 10.80 unclassified management level positions totaling \$1.65 million have been identified for the proposed reduction. The additional \$30,000 in savings will be used to mitigate the loss of contingent revenue.

Unclassified Position Reductions Included in Department Budgets

As referenced above, 4.00 proposed unclassified management level reductions were reflected within specific departmental budgets. These are shown in the second section of Attachment C.

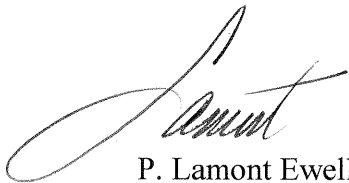
Additional City Manager Proposed Unclassified Position Reductions

The third section of Attachment C reflects other unclassified management level positions proposed for reduction in a continuing effort to flatten the organization.

Management duties will be redistributed within the impacted departments. Service levels of affected departments will be addressed through adjustments to priorities.

Upon approval of the budget, the reduction of the positions described above would be effective July 1, 2005. Unfortunately, the number of impacted employees exceeds the vacancies in both unclassified and classified areas. Impacted unclassified employees are being advised of job openings and given an opportunity to apply based on experience and qualifications. Impacted unclassified employees are also being advised regarding their ability to re-enter the classified service based upon work history, consistent with Personnel rules and regulations. Unclassified individuals may be able to compete for classified job opportunities as well. Labor Relations and Personnel staffs are working diligently to identify the placement of impacted employees as vacancies and rules allow. All involved are working to ensure the process goes as smoothly as possible for all employees.

This has been a challenging budget process and the decisions, particularly those that impact people's lives, have been very difficult. As I have indicated previously, the Fiscal Year 2006 Proposed Budget is focused on the City's provision of core services to the community and though challenging, streamlining has been a necessary part of the process. This is a recovery budget and with perseverance, the City will continue to move forward.



P. Lamont Ewell  
City Manager

Attachments: A - Fitch Ratings Press Release, May 27, 2005  
B - Redevelopment Agency Position Impacts  
C - Unclassified Position Impacts



## ■ ■ Fitch Lowers \$1.95B Of San Diego, California Debt: Remains on Watch Negative

27 May 2005 2:06 PM (EDT)

Fitch Ratings-San Francisco-May 27, 2005: Fitch Ratings has downgraded the following ratings for the city of San Diego, California:

- \$22 million in outstanding general obligation bonds to 'BBB+' from 'A';
- \$250 million in leased backed debt to 'BBB-' from 'A-'.

Fitch also lowers the following:

San Diego Public Facilities Financing Authority

--\$1.1 billion in sewer revenue bonds to 'BBB+' from 'A'.

--\$287 million in subordinate water revenue bonds to 'BBB' from 'A-'.

San Diego Facilities and Equipment Leasing Corporation

--\$287 million in certificates of undivided interest, series 1998 (secured by a senior lien on water enterprise revenues) to 'BBB+' from 'A'.

All ratings remain on Rating Watch Negative by Fitch.

Fitch's rating actions reflects the city's continued delay in releasing its fiscal 2003 and 2004 audit and the negative effect the ongoing political conflicts and upcoming election have on the city's ability to resolve the its sizable financial challenges. Fitch continues to believe that San Diego's strong economic base and advantageous tax structure gives it a strong ability to pay, and that current credit quality concerns focus on the city's willingness to pay, hence the two-step rating difference between general obligation and lease secured bonds. Ratings for the enterprise system debt factor in the essential nature of these services.

Fitch believes that strong leadership and political consensus are needed to achieve budgetary balance in the next several fiscal years. In particular, Fitch notes the mayor's recent resignation announcement, upcoming election, and several ongoing investigations into criminal activity, irregular disclosure, and conflicts of interest as obstacles in drafting and adopting a sound budget for fiscal 2006. For future years, continued resilience to labor and constituent pressures will be needed to retain financial balance as pension contributions rise. Lastly, today's rating actions take into consideration mentions of bankruptcy by the city attorney and possible mayoral candidates, although the action remains strongly opposed by the mayor, city council, and city manager.

In retaining investment grade ratings on all city debt, Fitch recognizes the strength of the city's



economy and its diverse revenue stream that benefits from the economic activity. Liquidity concerns are alleviated by a tentative agreement with Bank of America for purchase of the city's tax and revenue anticipation notes. Fitch also notes that tentative labor agreements with four of the city's five bargaining groups take steps to reduce costs by freezing salary and benefit packages, requiring employee contributions to reduce the San Diego City Employees Retirement System's (SDCERS) unfunded actuarial accrued liability, and restricting certain retirement benefits for new hires. However, the current agreements do not realize all of the savings envisioned in the city's multi-year financial plan. For the city to achieve financial balance over the forecast period, service reductions and additional personnel savings are needed.

The ratings remain on Rating Watch Negative to reflect continued uncertainty regarding the city's ability to achieve budgetary balance over the next several years as the required pension contribution rises significantly.

Fitch views the audits' release date as uncertain, largely the result of a stalemate making the auditing firm, KPMG, unable to gain comfort that illegal activities have not taken place. The SDCERS board is reconsidering its prior refusal to provide certain documentation requested for KPMG, citing attorney-client privilege. The mayor, city council, and city attorney have requested that the board provide the documentation. As a positive development, the city has hired a firm specializing in forensic accounting to work with KPMG to achieve their satisfaction and enable an audit to be released.

In San Diego's multi-year financial forecast, alternative scenarios are considered, with the base case indicating financial balance if sizable labor cost reductions are made. Tentative agreements with four of the city's five employee bargaining groups come close to the plan's targets. Service reductions as have been proposed for fiscal 2006 by the city manager also will be necessary, again requiring strong fiscal discipline and political resolve by San Diego's leaders. Fitch is concerned that with investigations pending, allegations continuing, and a mayoral election pending, such cohesion and leadership are likely to continue to be absent.

Also, today's rating actions echo Fitch's previously expressed concern regarding the employee time and focus required to handle the multiple investigations underway, including those conducted by the Securities and Exchange Commission, Federal Bureau of Investigation, and U.S. Attorney. These efforts add to the city's work burden and distract needed attention from budgetary matters. Also, the District Attorney has indicated other charges will be forthcoming.

In an earlier rating downgrade, Fitch stated audited financial statements were needed to be able to view the city's financial condition as strong, as had been reported previously and is in accordance with prior year's operations. Nonetheless, Fitch's role as a rating agency dictates the responsibility to retain ratings whenever possible. Given the city's very strong reserve levels and financial operations through fiscal 2002 and the city's robust economy, Fitch expects the audited results for fiscal 2003 to be at least satisfactory.

Today's downgrade actions are in keeping with Fitch's emphasis on effective management as a key component of credit quality. Evidence of significant structural change and a resulting

positive effect are crucial to Fitch's returning San Diego's ratings to higher levels. In fact, Fitch believes the city has the potential to return to a position of above average credit quality based on its economic strength and ability to translate positive economic performance into sound financial operations through its varied tax structure. Fitch awaits release of the city's audited financial reports for fiscals 2003 and 2004 along with a sound and balanced budget for fiscal 2006 and further evidence of ongoing fiscal stability.

Other ratings downgraded and remaining on Rating Watch Negative by Fitch include the following:

San Diego, California

--Certificate of participation refunding bonds, series 2003 to 'BBB-' from 'A-'.

San Diego Metropolitan Transit Development Board

--Lease revenue bonds (San Diego Old Town Light Transit Extension Refunding), series 2003 to 'BBB-' from 'A-'.

Convention Center Expansion Authority

--Lease revenue bonds, series 1998A to 'BBB-' from 'A-'.

San Diego Public Facilities Financing Authority

--Lease revenue bonds, (Fire and Life Safety Facilities Project), series 2002B to 'BBB-' from 'A-';

--Sewer revenue bonds to 'BBB+' from 'A';

--Subordinate water revenue bonds to 'BBB' from 'A-'.

San Diego Facilities and Equipment Leasing Corp.

--Certificates of undivided interest (water revenue), series 1998 to 'BBB' from 'A'.

Contact: Amy S. Doppelt +1-415-732-5612, San Francisco or Doug Scott +1-512-215-3725 Austin.

Media Relations: Christine Pollak +1-212-908-0526, New York

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**FY 2006 PROPOSED BUDGET  
REDEVELOPMENT AGENCY POSITION IMPACTS**

Department	Position	FTE	General Fund
<i><u>Transfer of the City Redevelopment Agency - Mid Year Change *</u></i>			
Community & Economic Development	Associate Management Analyst	1.00	\$ 89,493
	Clerical Assistant II	1.50	\$ 80,960
	Community Development Coordinator	3.00	\$ 389,666
	Community Development Specialist IV	7.00	\$ 799,780
	Community Development Specialist II	6.00	\$ 527,500
	Executive Secretary	0.80	\$ 61,414
	Information Systems Technician	0.60	\$ 44,012
	Legislative Recorder I	1.00	\$ 71,947
	<b>Sub-Total **</b>	<b>20.90</b>	<b>\$ 2,064,772</b>

\* The change to the Special Fund would occur approximately 90 days after approval of the budget.

\*\* 1.80 unclassified positions (.80 Department Director and 1.00 Deputy Director) shown on Attachment C will also be transferred to the Special Fund with the 20.90 shown here for a total of 22.70 positions.

**FY 2006 PROPOSED BUDGET  
UNCLASSIFIED POSITION IMPACTS**

Department	Position	FTE	General Fund	Non-General Fund	Supplemental
<i>Unclassified Position Reductions Included as \$1.6m Savings in Fiscal Year 2006 Budget (Volume II, Page 74):</i>					
City Manager	Deputy City Manager	1.00	\$ 124,056	\$ 114,514	
Citywide - Human Relations	Assistant to Executive Director (vacant)	1.00	\$ 106,921		
Community & Economic Development	Department Director *	0.80	\$ 156,746		
	Deputy Director (Redevelopment) *	1.00	\$ 161,508		
	Deputy Director (Economic Dev.) **	0.00	\$ 166,024		
Library	Resource Development Officer (Asst.)	1.00	\$ 95,643		
Mayor's Office	Council Representative II	2.00	\$ 211,202		
Park & Recreation	Resource Development Officer	1.00	\$ 121,670		
Police	Assistant Police Chief (vacant)	1.00	\$ 212,576		
Real Estate Assets	Deputy Director (Acquisition & Valuation)	1.00	\$ 171,770		
Special Projects	Program Manager (Asst. Special Events)	1.00	\$ 122,771		
	<b>Sub-Total</b>	<b>10.80</b>	<b>\$ 1,650,887</b>	<b>\$ 114,514</b>	
<i>Unclassified Position Reductions Included in Fiscal Year 2006 Proposed Department Budgets:</i>					
Community & Economic Development	Program Manager (CSC & Homeless Coord.)	2.00	\$ 258,371		
Environmental Services	Deputy Director (vacant)	1.00		\$ 159,403	
Neighborhood Code Compliance	Program Manager (Graffiti)	1.00	\$ 130,200		
	<b>Sub-Total</b>	<b>4.00</b>	<b>\$ 388,571</b>	<b>\$ 159,403</b>	
<i>Additional City Manager Proposed Unclassified Position Reductions:</i>					
Community & Economic Development	Assistant Department Director	1.00			\$ 180,535
	Community Service Center Mgr ***	3.00			\$ 350,185
Development Services	Assistant Deputy Director (Support Svcs)	1.00		\$ 163,169	
Engineering & Capital Projects	Asst Deputy Dir (Water/Wastewater Facil)	1.00		\$ 156,132	
Environmental Services	Assistant Deputy Director (Resource Mgmt)	1.00		\$ 163,081	
General Services	Deputy Director (Central Stores/Publ Svcs)	1.00		\$ 163,168	
Metropolitan Wastewater	Asst Deputy Dir (Engineering & Prog Mgt)	1.00		\$ 156,132	
	<b>Sub-Total</b>	<b>9.00</b>	<b>\$ -</b>	<b>\$ 801,682</b>	<b>\$ 530,720</b>
	<b>TOTAL</b>	<b>23.80</b>	<b>\$ 2,039,458</b>	<b>\$ 1,075,599</b>	<b>\$ 530,720</b>

\* These positions are currently funded by the General Fund and will be moved to the newly created Special Fund, funded by tax increment approximately 90 days after the fiscal year begins.

\*\* This position is currently funded by the General Fund, and as of July 1, 2005 will become reimbursable, funded via Non-General Fund revenue sources.

\*\*\* These 3.00 Community Service Center (CSC) Managers were full time CSC Managers. The other CSC Managers were working half as CSC Managers and half in home departments, and will return to their home departments.

# CITY OF SAN DIEGO MEMORANDUM

DATE: June 3, 2005

TO: Honorable Mayor and City Council

FROM: P. Lamont Ewell, City Manager

SUBJECT: Fiscal Year 2006 Proposed Budget UPDATE

In developing the Fiscal Year 2006 Proposed Budget, departments identified reductions to balance the General Fund gap between forecasted revenues and projected expenditures. Those reductions were described in the Service Level Impacts (SLI's) section of Volume I of the Fiscal Year 2006 Proposed Budget document presented to you on May 2, 2005. At that time I advised you that not all issues regarding proposed budget reductions and anticipated revenues had been resolved.

Since the May 2, 2005 presentation of the Proposed Budget, proposed adjustments have been made and will continue to occur as revenue and expenditure data is refined. Two examples of these adjustments include:

The determination to hold a Mayoral election created an additional expenditure funding requirement of \$2.5 million

\$3.0 million of meet and confer savings that was assumed in the base budget was not realized

## POSITION REDUCTIONS

My memorandum to you dated June 1, 2005 identified proposed unclassified position reductions and proposed Departmental reorganizations. Additionally, I identified 29.00 position reductions to offset the cost of the mayoral election, (Attachment I). The combined result of these actions will help to offset the additional expenditure requirements.

The following table is a summary of both General Fund and Non-General Fund proposed position reductions and the revised proposed position reductions:

	Original Proposed Budget	Additional Position Reductions (June 1 memo)	Total Proposed Position Reductions
<b>Unclassified Positions</b>	4.00	19.80	23.80
<b>Redevelopment Division</b>	- -	20.90	20.90
<b>Other Position Reductions <sup>(1)</sup></b>	276.23	29.00	303.43
<b>TOTAL</b>	280.23	69.70	348.13

<sup>(1)</sup> Includes classified and unrepresented personnel.

June 7, 2005  
Honorable Mayor and City Council  
Fiscal Year 2006 Proposed Budget UPDATE

The revised impact of the 348.13 proposed position reductions is included in the attached update of the Service Level Impacts (Attachment II). It includes the original proposed reductions, the additional proposed reductions developed subsequent to the publication of the budget document, and the total reductions for each department. The departments are shown alphabetically. The additional proposed reductions are shown in italicized text, and the total reductions for the department shown in boxed text.

#### REVENUE AND EXPENDITURE ADJUSTMENTS

As stated above, several events have occurred subsequent to the presentation of the proposed budget on May 2, 2005. These have necessitated adjustments to the proposed budget of which partial solutions have been identified. The following chart reflects a current \$1.7 million shortfall between the identified expenditure requirements and the revenue solutions identified.

<b>Proposed General Fund Budget</b>	<b>Revenues</b>	<b>Expenditures</b>
	<b>\$857,659,472</b>	<b>\$857,659,472</b>
Mayoral Election		\$2,500,000
Meet & Confer Unrealized Savings		\$3,000,000
PETCO Park Allocation Savings	\$2,300,000	
Additional 29.00 Position Reductions		(\$1,484,117)
Safety Sales Tax – Fire/Lifeguards	\$1,220,000	
Lifeguard Boat Dock (Phase 1)		\$1,000,000
Fire Apparatus		\$220,000
<b>TOTAL TO DATE</b>	<b>\$861,179,472</b>	<b>\$862,895,355</b>
	<b>GAP</b>	<b>(\$1,715,883)</b>

Options for eliminating the current \$1.7 million shortfall are being analyzed and will be presented in my June Revision memorandum which will be released on Friday June 10, 2005. Please remember that these estimates assume the receipt of \$5.2 million in State Booking Fee reimbursement revenue. Should the State withhold this additional revenue, I will need to return to the Mayor and City Council with recommendations for additional reductions.

P. Lamont Ewell  
City Manager

PLE/rhv

Attachments

cc: Charles G. Abdelnour, City Clerk  
Michael J. Aguirre, City Attorney  
John Torell, City Auditor and Comptroller  
Rey Arellano, Deputy City Manager  
Bruce Herring, Deputy City Manager  
Lisa Irvine, Deputy City Manager  
Richard G. Mendes, Deputy City Manager  
Ellen Oppenheim, Deputy City Manager (Acting)  
Ed Plank, Council Liaison/Management Assistant

**FY 2006 PROPOSED BUDGET  
ADDITIONAL POSITION IMPACTS**

Department	Position	FTE	General Fund	Non-General Fund	Supplemental
<b><u>Unclassified Position Reductions Included as \$1.6m Savings in Fiscal Year 2006 Budget (Volume II, Page 74):</u></b>					
City Manager	Deputy City Manager	1.00	\$ 124,056	\$ 114,514	
Citywide - Human Relations	Assistant to Executive Director (vacant)	1.00	\$ 106,921		
Community & Economic Development	Department Director *	0.80	\$ 156,746		
	Deputy Director (Redevelopment) *	1.00	\$ 161,508		
	Deputy Director (Economic Dev.) **	0.00	\$ 166,024		
Library	Resource Development Officer (Asst.)	1.00	\$ 95,643		
Mayor's Office	Council Representative II	2.00	\$ 211,202		
Park & Recreation	Resource Development Officer	1.00	\$ 121,670		
Police	Assistant Police Chief (vacant)	1.00	\$ 212,576		
Real Estate Assets	Deputy Director (Acquisition & Valuation)	1.00	\$ 171,770		
Special Projects	Program Manager (Asst. Special Events)	1.00	\$ 122,771		
	<b>Sub-Total</b>	<b>10.80</b>	<b>\$ 1,650,887</b>	<b>\$ 114,514</b>	
<b><u>Unclassified Position Reductions Included in Fiscal Year 2006 Proposed Department Budgets:</u></b>					
Community & Economic Development	Program Manager (CSC & Homeless Coord.)	2.00	\$ 258,371		
Environmental Services	Deputy Director (vacant)	1.00		\$ 159,403	
Neighborhood Code Compliance	Program Manager (Graffiti)	1.00	\$ 130,200		
	<b>Sub-Total</b>	<b>4.00</b>	<b>\$ 388,571</b>	<b>\$ 159,403</b>	
Department	Position	FTE	General Fund	Non-General Fund	Supplemental
<b><u>Additional City Manager Proposed Unclassified Position Reductions:</u></b>					
Community & Economic Development	Assistant Department Director	1.00			\$ 180,535
	Community Service Center Mgr ***	3.00			\$ 350,185
Development Services	Assistant Deputy Director (Support Svcs)	1.00		\$ 163,169	
Engineering & Capital Projects	Asst Deputy Dir (Water/Wastewater Facil)	1.00		\$ 156,132	
Environmental Services	Assistant Deputy Director (Resource Mgmt)	1.00		\$ 163,081	
General Services	Deputy Director (Central Stores/Publ Svcs)	1.00		\$ 163,168	
Metropolitan Wastewater	Asst Deputy Dir (Engineering & Prog Mgt)	1.00		\$ 156,132	
	<b>Sub-Total</b>	<b>9.00</b>	<b>\$ -</b>	<b>\$ 801,682</b>	<b>\$ 530,720</b>
	<b>TOTAL</b>	<b>23.80</b>	<b>\$ 2,039,458</b>	<b>\$ 1,075,599</b>	<b>\$ 530,720</b>

\* These positions are currently funded by the General Fund and will be moved to the newly created Special Fund, funded by tax increment

approximately 90 days after the fiscal year begins.

\*\* This position is currently funded by the General Fund, and as of July 1, 2005 will become reimbursable, funded via Non-General Fund revenue sources.

\*\*\* These 3.00 Community Service Center (CSC) Managers were full time CSC Managers. The other CSC Managers were working half as CSC Managers and half in home departments, and will return to their home departments.

Department	Position	FTE	General Fund	Non-General Fund	Supplemental
<b><u>Additional Position Reductions not included in the Proposed Budget Document</u></b>					
Development Services	Clerical Assistant II	1.00		\$ 53,973	
General Services	Heavy Truck Driver II	1.00		\$ 66,834	
	Motor Sweeper Operator	5.00		\$ 509,943	
	Utility Worker I	1.00		\$ 56,935	
Office of the CIO	Executive Secretary	1.00		\$ 76,755	
Park and Recreation	Area Manager	2.00	\$ 173,249		
	Area Manager	2.00	\$ 173,249		
	District Manager	1.00	\$ -	\$ 103,073	
	Ground Maintenance Manager	2.00	\$ 173,223		
	Ground Maintenance Worker II	2.00	\$ 113,889		
	Laborer	1.00	\$ 52,655		
	Park Utility Supervisor	1.00	\$ 72,968		
Planning	Associate Engineer Traffic	1.00	\$ 110,370		
	Associate Planner	3.00	\$ 283,567		
	Legislative Recorder II	1.00	\$ 75,915		
	Sr. Planner	1.00	\$ 107,879		
	Word Processing Operator	1.00	\$ 57,661		
Police	Associate Management Analyst	1.00	\$ 89,493		
Water Department	Supervising Management Analyst	1.00		\$ 99,345	
<b>Sub-Total</b>		<b>29.00</b>	<b>\$ 1,484,117</b>	<b>\$ 966,859</b>	<b>\$ -</b>

Department	Position	FTE	General Fund	Non-General Fund	Supplemental
<b><u>Transfer of the City Redevelopment Agency - Mid Year Change *</u></b>					
Community & Economic Development	Associate Management Analyst	1.00	\$ 89,493		
	Clerical Assistant II	1.50	\$ 80,960		
	Community Development Coordinator	3.00	\$ 389,666		
	Community Development Specialist IV	5.00	\$ 572,267		
	Community Development Specialist II	5.00	\$ 439,584		
	Community Development Specialist II	1.00	\$ 87,916		
	Executive Secretary	0.80	\$ 156,746		
	Information Systems Technician	0.60	\$ 44,012		
	Legislative Recorder I	1.00	\$ 71,947		
	Community Development Specialist IV	2.00	\$ 227,513		
<b>Sub-Total</b>		<b>20.90</b>	<b>\$ 2,160,104</b>	<b>\$ -</b>	<b>\$ -</b>

<b>TOTAL</b>		<b>73.70</b>	<b>\$ 5,683,679</b>	<b>\$ 2,042,458</b>	<b>\$ 530,720</b>
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\* These positions are currently funded by the General Fund and will be moved to the newly created Special Fund, funded by tax increment approximately 90 days after the fiscal year begins.



## DISCLOSURE PRACTICES WORKING GROUP

- City Attorney's Office: Fully staff the Disclosure Practices Working Group, including the additional expense of a new Deputy City Attorney for finance and disclosure issues.

CITY ATTORNEY	EXPENSE
1.00 Deputy City Attorney	\$250,000 (??)
TOTAL	\$250,000

- City Auditor and Comptroller's Office: It is estimated that the following positions and associated expenses are needed to address projects designed to improve the timeliness, accuracy and thoroughness of the City's annual financial statements and associated disclosures.

CITY AUDITOR AND COMPTROLLER OFFICE	EXPENSE
1.00 Principal Accountant	\$150,318
1.00 Accountant IV	\$123,315
1.00 Accountant III	\$98,820
1.00 Accountant II	\$88,281
Associated Non-Personnel Expense	\$39,266
TOTAL	\$500,000

- City Treasurer and Citywide Programs: Additional staff and other non-personnel expenses are proposed to ensure high-level oversight, improve the verification of the accuracy of disclosure documents and provide briefings for managerial and elected officials for all disclosure.

CITY TREASURER/CITYWIDE PROGRAMS	EXPENSE
2.00 Program Manager	\$270,154
2.00 Supervising Economists	\$238,400
2.00 Economists	\$179,036
Associated Non-Personnel Expense	\$62,410
TOTAL	\$535,714

- Financial Management: The department has established a new Pension Analysis and Forecasting Section. This new section will provide independent analysis and validation of current and future pension liabilities and forecasting of City contributions, offset contributions and health care liabilities for each fiscal year. Staff will also review actuary reports, analyze financial market reports and attend and provide support for Disclosure Practices Working Group meetings and Retirement Board and Committee meetings as needed.

FINANCIAL MANAGEMENT	EXPENSE
1.40 Senior Management Analyst	\$139,074
Associated Non-Personnel Expense	\$3,783
TOTAL	\$142,857

These adjustments to the budget are proposed to be implemented in order to more accurately reflect the actual use of funding to support the disclosure ordinance. Since this funding was included in the proposed budget, no net impact to the General Fund is proposed.

CITY OF SAN DIEGO  
M E M O R A N D U M

DATE: June 17, 2005

TO: Honorable Mayor and City Council

FROM: P. Lamont Ewell, City Manager  
Michael Aguirre, City Attorney

SUBJECT: City Attorney's Fiscal Year 2006 Budget

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On June 6, 2005, the City Attorney's budget was discussed by the Mayor and City Council and tentatively approved with expenditures of \$33.3 million and \$7.1 million in revenue. In addition, plaintiff litigation and the cost of outside counsel were identified for further discussion. Staff from the City Attorney's office and Financial Management met to review these and other issues and based on their review, we have concluded the following:

1. Plaintiff Litigation – In his budget request to the City Council, the City Attorney recommended the addition of \$758,636 to his budget to focus on monetary recovery on behalf of the City by filing plaintiffs' actions to recover reimbursement for losses sustained by City departments and costs imposed on City taxpayers through the actions or inactions of others. Specifically, areas of emphasis, among others, would include false claims, fraudulent and unlawful business practices, environmental pollution and overcharging.

Financial Management has reviewed material provided by the City Attorney and concurs that there is potential to realize additional revenue above costs and current budgeted revenue by focusing additional resources in this area.

We would, therefore, recommend the following:

- A. Add the requested \$758,636 to the City Attorney's Fiscal Year 2006 Budget.
- B. The City Attorney will commit to achieving a minimum of \$900,000 of new/additional revenue to insure this additional expense is completely offset by additional revenue. The expectation is that this projected revenue is the minimum anticipated and actual revenues will substantially exceed costs.
- C. In the event that the anticipated revenue is not achieved, the City Attorney will reduce costs to insure the cost neutrality of this proposal.
- D. That the City Attorney report to the Mayor and City Council on a quarterly basis regarding the status of settlement/recovery cases in progress.

The City Attorney is prepared to present the material reviewed by Financial Management to the Mayor and City Council if they so desire.

Additionally, Financial Management is working with the City Attorney to form a task force to review how settlements/recoveries are realized, managed, and accounted for on a citywide basis and to implement changes where needed.

Specifically, we want to insure that: all departments understand how and when the City Attorney's office can assist in managing conflict; cases and resulting settlements/recoveries are tracked, managed and accounted for uniformly; and, that the appropriate funds are credited with the settlements/recoveries and are reimbursed for legal fees before those settlements/recoveries are distributed, including the Public Liability Fund.

2. Outside Legal Counsel – The City currently spends a significant amount of funds on outside legal counsel in a variety of areas. It is the City Attorney's opinion that providing these legal services primarily with existing in-house personnel and resources can lower overall City legal expenses by approximately \$5 million.

The potential of achieving \$5 million of savings is an opportunity that should be considered. Although the actions to achieve this savings cannot be completed in time to be included in the Fiscal Year 2006 Budget, the City Manager and City Attorney have agreed to work together to present a specific proposal, including tracking of costs and periodic status reports, to the Mayor and City Council in the future.

3. DNA Test Reporting – Proposition 69, which was enacted by the voters last November, requires DNA tests of every defendant convicted of a misdemeanor when that defendant has suffered a prior felony conviction. The City Attorney's office, however, does not have the resources to meet the process and reporting requirements of Proposition 69 and has requested \$64,787 to provide for this purpose.

This issue clearly is a matter of public safety. It minimizes the impact of putting additional police officers in the field if the City does not devote the resources to maximize the result of their work. DNA testing is one of the most significant advances in prosecuting criminals, but without the resources to track the DNA test reporting, the benefit is lost.

While the revenue that the City Attorney anticipates realizing from the previously discussed Plaintiff Litigation does not directly relate to this matter, it does provide funds to cover the cost of this high priority public safety issue. Consequently, we would recommend that the Mayor and City Council add the requested amount to the City Attorney's budget.



4. Ethics Commission Legal Counsel – On June 13, 2005, the Mayor and City Council reviewed the Ethics Commission budget, including a request of \$211,734 to fund independent legal counsel for the Ethics Commission pursuant to the passage of Proposition E in November 2004. To offset that increase, the City Attorney's budget was decreased a like amount in the Proposed Budget.

When the City Attorney advised the Mayor and City Council that the budgetary cost of 1.00 Deputy City Attorney, including salary and fringe benefits is only \$141,110, the Mayor proposed and the City Council agreed to reduce the cut to the City Attorney's budget by the difference between the two (\$70,624).

The Ethics Commission request of \$211,734 was fully funded, leaving the \$70,624 without a funding source. The City Attorney is proposing to use \$70,624 of the additional revenue from the Plaintiff Litigation Unit to offset this unfunded amount. The City Manager concurs with this solution.

#### **SUMMARY**

The following is a summary of the recommendations contained in this memorandum:

Additions to the City Attorney's Budget:

1. Plaintiff Litigation Unit	6.00 positions	\$ 758,636
2. DNA Test Reporting	1.00 position	64,787
3. Ethics Commission position offset	0.00 positions	<u>70,624</u>
	Total:	\$ 894,047

Additional Budgeted Revenue:


1. New/additional Settlement Revenue	\$ <u>900,000</u>
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NET GENERAL FUND IMPACT \$ 5,953

Although these actions result essentially in a revenue neutral situation in the General Fund, the potential additional revenue from plaintiff litigation as well as the reduced cost of outside legal counsel is significant and could result in an overall improvement to the General Fund and total City budget in excess of \$9 million.

Respectfully submitted,

  
P. Lamont Ewell  
City Manager

  
Michael Aguirre  
City Attorney

Attachment

**EXHIBIT A - Fiscal Year 2006 Program Cost Estimation****Plaintiff Litigation Group****Personnel Expense**

Title	FTE.	Average Salaries & Fringe	Personnel Expense
Deputy City Attorney	3.00	\$141,111	\$423,333
City Atty Investigator	1.00	\$99,911	\$99,911
Legal Assistant	1.00	\$88,226	\$88,226
Legal Secretary	1.00	\$73,990	\$73,990
<b>Total Personnel Expense</b>	6.00		\$685,460
<b>Total Non-Personnel Expense</b>			\$73,176
<b>Total Estimated Program Cost</b>	<b>6.00</b>		<b>\$758,636</b>

**DNA Test Reporting****Personnel Expense**

Title	FTE	Average Salaries & Fringe	Personnel Expense
Clerical Assistant II	1.00	\$53,973	\$53,973
<b>Total Personnel Expense</b>	1.00		\$53,973
<b>Total Non-Personnel Expense</b>			\$10,814
<b>Total Estimated Program Cost</b>	<b>1.00</b>		<b>\$64,787</b>

## FISCAL YEAR 2006 GENERAL FUND WISH LIST - June 14, 2005

Gap: (\$14,020,750)

Wish List Total: \$19,526,069

Total Budgetary Savings: \$5,505,319

DATE	#	Dept	CD	DESCRIPTION	EXPENDITURE	Funding	#	Dept	CD	DESCRIPTION	EXPENDITURE	REVENUE
	1	Mgr		Special election for Mayor (Primary)	2,500,000	A		A	Mgr	Manager's proposal for Classified position reductions: Park & Rec (11.00), Planning (7.00), and Police (1.00)	(1,484,117)	
	2	PD	3	Restore 27.00 CSO's	1,867,455			B		4	Golf course rents	TBD
	3	Fire	7	Fire Engine Lease Program (8 Engines)	220,000	F		C		4	Property Sales/ rent	TBD
	4	Fire	7	Brush Management	160,000			D		8	CD8-RZH funding	165,400
	5	Fire	7	CERT Program	111,000			E	Mgr	Reduce TOT allocation for PETCO Park		2,300,000
	6	Fire	7	Mission Valley Fire Station	1,400,000			F	Mgr	Fire/Lifeguard Facilities Fund (\$2.8M)		1,220,000
	7	Library	M, 7	Asst Develop Drctr	113,127			G			FY 06 Proposed Rates & Fees Not Realized	(739,282)
	8	Library	7	Restore hours from 40 to 48 per week (excludes MV branch)	737,531			H	CCDC	M, 2	CCDC Loan Repayment	1,075,084
	9	Library	7	Restore MV branch hrs from 40 to 76 per week	197,921			I				
	10	Library	7	Restore library supplies	500,000			J				
	11	Park & Rec	8	Restore Memorial/ Vista Terrace Pools	165,400	D		K				
	12	Park & Rec	1	Restore Bud Kearns Pool	96,560			L				
	13	Park & Rec	1	Restore Resource Dev Officer	121,670			M				
	14	Gen Svcs	M	Restore 4.00 Painter positions	295,386			N				

Gap: (\$14,020,750)

Wish List Total: \$19,526,069

Total Budgetary Savings: \$5,505,319

DATE	#	Dept	CD	DESCRIPTION	EXPENDITURE	Funding	#	Dept	CD	DESCRIPTION	EXPENDITURE	REVENUE
	15	E & CP	7	Restore 1.00 Asst Eng-Traffic for Bicycle Prog (reimburseable)	96,680			O				
	16	E & CP	7	Restore 1.00 Sr Traffic Engineer for the Interagency Coordination Prog (reimburseable)	126,187			P				
	17	Mgr		Meet and Confer	3,000,000	E		Q				
	18	Fire		Lifeguard boat dock	1,000,000	F		R				
	18	SP	1	Restore Holiday Bowl funding	43,460			S				
	19	Atty	3	Plaintiff's Litigation Unit	758,636			T				
	20	Special Projects	M, 2, 3	Restoration of 1.00 Special Events Prog Mgr	122,771			U				
	21	Planning	M, 2	Restoration of 1.00 Senior Planner for Historic Resources	107,880			V				
	22	Planning	2	Restoration of 2.50 Sr. Planners & 4.00 Assoc. Planners	647,785			W				
	23	CED	3	Restoration of "6 to 6" Funding	2,617,000			X				
	24	CED	1	Carmel Valley CSC	167,040			Y				
	25	CED	2	Penninsula CSC	249,155			Z				
	26	CED	3	Mid-City CSC	170,886							
	27	CED	4	Market Street CSC	301,963							
	28	CED	5	Scripps Ranch CSC	146,578							
	29	CED	5	Rancho Bernardo	29,640							
	30	CED	6	Clairemont CSC	177,934							
	31	CED	7	Navajo CSC	193,732							
	32	CED	8	San Ysidro CSC	167,188							
	33	NCC	3	Restore Graffiti Control Program (3.00 FTE)	414,904							
	34	IT&C	3	Restore Special Systems Unit (5.00)	500,600							

CITY OF SAN DIEGO  
M E M O R A N D U M

DATE: June 6, 2005

TO: Honorable Mayor and City Councilmembers

FROM: Richard Mendes, Deputy City Manager

SUBJECT: General Services/Street Division Trench Repair Services Program FY06  
for the Water and Metropolitan Wastewater Departments

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The purpose of this memo is to request your authorization to staff a revenue and expense neutral pilot program utilizing 40 limited full-time employees (see attached) in the General Services Department to facilitate the completion of previously authorized public works projects in the Water and Metropolitan Wastewater Departments.

In Fiscal Year 2006 there will be an estimated 160 routine repair and small patching of trenches per month and an estimated 50 locations per month requiring repairs and small patching of concrete surfaces including sidewalks, small sections of streets and alleys.

The Street Division has historically worked with other City Departments to provide these unique services required for asphalt street patching and trench repair services at competitive costs. By allowing Street Division to perform the related repairs, failed trenches and other hazards will be replaced in a timely manner with reduced project management costs.

While crews are performing these tasks, there will be more “construction and maintenance eyes on the streets” to assess the need for and schedule other repairs (i.e. potholes, storm drain clearing, etc.).

The financial viability of the program will be reviewed biweekly on a project-by-project basis, to ensure that the costs associated with these activities are being covered. In addition, quarterly summaries of net project costs will be provided to the Mayor and Council with a full program analysis provided at year end for Fiscal Year 2007 budget process consideration.

In tight budget times, it is imperative that the City be as financially competitive as possible while providing the highest level of service to the community. As in the private sector there is no guarantee that work will continue to be available. As the workload fluctuates, the department will have the flexibility to reassign resources to other high priorities such as storm patrol and pothole repairs, to meet the needs of the community.



Page 2

Honorable Mayor and Councilmembers

June 6, 2005

The total cost of the proposed program is estimated at \$4.9 million reflected in the Water and Metropolitan Wastewater Departments proposed Fiscal Year 2006 budgets.

If you have any questions please feel free to contact me at 236-6750 or Larry Gardner at 525-8686.

Richard Mendes

Deputy City Manager

cc: Scott Tulloch, Director, Metropolitan Wastewater Department  
Frank Belock, Director, Water Department  
Larry Gardner, Director, General Services Department

Attachments: 1. Street Repair and Patching Crew for Water Department  
2. Street Repair and Patching Crew for Wastewater Department  
3. Concrete Repair Crew for Water and Wastewater Department

**Street Repair and Patching Crew  
For Water Department  
Fiscal Year 2006**

The Street Repair and Patching Crew will function as the crew to perform routine repairs and small patching of trenches that are the repair responsibility of the Water Department. It is projected that this crew will be needed to repair 80 locations per month.

<b>Staff Resources</b>	<b># of Positions</b>	<b>Personnel Expense</b>	<b>Annual Cost</b>
Public Works Superintendent	0.34	\$109,847	\$37,348
Public Works Supervisor	1.00	\$84,409	\$84,409
Equipment Operator III	1.00	\$77,690	\$77,690
Equipment Operator II	3.00	\$71,992	\$215,975
Heavy Truck Driver II	2.00	\$66,636	\$133,271
Heavy Truck Driver I	1.00	\$67,450	\$67,450
Utility Worker II	3.00	\$61,777	\$185,330
Utility Worker I	3.00	\$56,935	\$170,806
<b>Total</b>	<b>14.34</b>		<b>\$972,279</b>

<b>Equipment Description</b>	<b>Unit Cost</b>	<b>Quantity</b>	<b>Total Cost</b>
107 Pickup Truck	\$5,377	1.34	\$7,205
924 Roller	\$9,199	1	\$9,199
905 Gradall	\$60,046	1	\$60,046
903 Backhoe	\$13,254	1	\$13,254
904 Skid steer	\$11,635	1	\$11,635
804 Dump Truck	\$32,652	3	\$97,956
803 Dump Truck	\$26,848	1	\$26,848
828 PB Patcher	\$32,723	1	\$32,723
505 Flat Bed Truck	\$15,803	1	\$15,803
603 Dump Truck	\$12,041	2	\$24,082
917 Trailer	\$4,719	3	\$14,157
<b>Total</b>		<b>16.34</b>	<b>\$312,908</b>
<b>Materials</b>			<b>\$500,000</b>

**Street Repair and Patching Crew  
For Metropolitan Wastewater Department  
Fiscal Year 2006**

The Street Repair and Patching Crew will function as the crew to perform routine repairs and small patching of trenches that are the repair responsibility of the Metropolitan Wastewater Department. Additionally, this crew will be utilized on an as needed basis for locations requiring rough concrete work (ie trench capping, etc). It is projected that this crew will be needed to repair 80 locations per month.

<b>Staff Resources</b>	<b># of Positions</b>	<b>Personnel Expense</b>	<b>Annual Cost</b>
Public Works Superintendent	0.33	\$109,847	\$36,250
Public Works Supervisor	1.00	\$84,409	\$84,409
Equipment Operator II	2.00	\$71,992	\$143,983
Heavy Truck Driver II	3.00	\$66,636	\$199,907
Heavy Truck Driver I	1.00	\$67,450	\$67,450
Utility Worker II	1.00	\$61,777	\$61,777
Utility Worker I	2.00	\$56,935	\$113,871
<b>Total</b>	<b>10.33</b>		<b>\$671,396</b>

<b>Equipment Description</b>	<b>Unit Cost</b>	<b>Quantity</b>	<b>Total Cost</b>
107 Pickup Truck	\$5,377	1.33	\$7,151
924 Roller	\$9,199	1	\$9,199
903 Backhoe	\$13,254	1	\$13,254
904 Skid Steer	\$11,635	1	\$11,635
804 Dump Truck	\$32,652	2	\$65,304
803 Dump Truck	\$26,848	1	\$26,848
828 PB Patcher	\$32,723	1	\$32,723
505 Flat Bed Truck	\$15,803	1	\$15,803
603 Dump Truck	\$12,041	1	\$12,041
917 Trailer	\$4,719	3	\$14,157
<b>Total</b>		<b>13.33</b>	<b>\$208,115</b>
<b>Materials</b>			<b>\$500,000</b>

**Concrete Repair and Patching Crew  
For Water and Wastewater Departments  
Fiscal Year 2006**

The Concrete Repair and Patching Crew will function as the crew to perform routine repairs and small patching of concrete surface improvements (ie sidewalks, small sections of street pavement or alleys, etc) that are the repair responsibility of either the Water or Metropolitan Wastewater Department. It is projected that this crew will complete 50 locations per month.

<b>Staff Resources</b>	<b># of Positions</b>	<b>Personnel Expense</b>	<b>Annual Cost</b>
Public Works Superintendent	0.33	\$109,847	\$36,250
Public Works Supervisor	1.00	\$84,409	\$84,409
Equipment Operator II	1.00	\$71,992	\$71,992
Cement Finisher	4.00	\$76,247	\$304,986
Heavy Truck Driver II	3.00	\$66,636	\$199,907
Utility Worker II	1.00	\$61,777	\$61,777
Utility Worker I	5.00	\$56,935	\$284,677
<b>Total</b>	<b>15.33</b>		<b>\$1,007,747</b>

<b>Equipment Description</b>	<b>Unit Cost</b>	<b>Quantity</b>	<b>Total Cost</b>
107 Pickup Truck	\$5,377	1.33	\$7,151
903 Backhoe	\$13,254	1	\$13,254
829 5th Wheel	\$15,940	1	\$15,940
917 Trailer	\$4,719	2	\$9,438
413 Flat bed truck	\$9,596	4	\$38,384
803 Dump Truck	\$26,848	3	\$80,544
505 Flat Bed Truck	\$15,803	1	\$15,803
603 Dump Truck	\$12,041	1	\$12,041
904 Bobcat	\$13,254	1	\$13,254
<b>Total</b>		<b>15.33</b>	<b>\$205,809</b>
<b>Materials</b>			<b>\$500,000</b>